

SUBCOMMITTEE NO. 4

Agenda

Joseph Dunn, Chair
Tom McClintock
Christine Kehoe



Hearing Outcomes

Wednesday, March 16, 2005
1:30 p.m.
Room 2040

Consultant: Brian Annis

Transportation

<u>Item</u>	<u>Department</u>	<u>Page</u>
2640	Special Transportation Programs	2
2660	Department of Transportation	3
2665	High-Speed Rail Authority	18
2720	Department of the California Highway Patrol	20
2740	Department of Motor Vehicles	25
	Attachments	27

Consent Calendar

2600	California Transportation Commission	1
2700	Office of Traffic Safety	1

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Department Budgets Proposed for Consent

2600 California Transportation Commission

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail, and transit improvements throughout California. The CTC also advises and assists the Secretary of Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs.

The Governor proposes total expenditures of \$77.139 million (no General Fund) and 13.0 positions for the CTC, - an increase of \$438,000 from the current year. Most of this funding, \$75.0 million, is local assistance funding from the Clean Air and Transportation Improvement Fund, which is revenue from general obligation bonds. The remainder of the proposed funding, about \$2.1 million, supports the operations of the CTC. The Administration did not submit any Budget Change Proposals for the CTC; however, the Administration did increase the CTC's budget by approximately \$250,000 above the statewide standard price increase to fund additional travel, legal costs, and rent costs.

2700 Office of Traffic Safety

The Office of Traffic Safety (OTS) is responsible for allocating federal grant funds to state and local entities to promote traffic safety. The office administers the California Traffic Safety Program and will distribute approximately \$77.9 million of federal grant funds in 2005-06 to local and State agencies. The grants provided by OTS focus on the nine priority areas of traffic safety: (1) alcohol and drugs, (2) occupant protection, (3) pedestrian and bicycle safety, (4) traffic records, (5) emergency medical services, (6) roadway safety, (7) police traffic services, (8) motorcycle safety, and (9) speed control.

The Governor proposes total expenditures of \$84.9 million (no General Fund), - an increase of \$35,000 from the current year. The Administration did not submit any Budget Change Proposals for the Office of Traffic Safety.

Staff Comment: No issues have been raised with either of these budgets.

Staff Recommendation: Approve both of these budgets.

Action: *Both Budgets approved on a 2-1 vote, with Senator McClintock voting no.*

Department Budgets Proposed for Discussion

2640 Special Transportation Programs

The Special Transportation Program provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation operations and projects. Revenue comes from the sales tax on diesel fuel and a small portion of the sales tax on gasoline.

The Governor proposes funding of \$137.3 million for Special Transportation Programs – an increase of \$19.9 million (17 percent) over current-year funding. The increase in funding is primarily due to projections of higher diesel-fuel prices. Half of the projected Public Transportation Account “spillover” revenue (about \$113 million) would go this budget item under current law; however, the Administration proposes to retain all spillover revenue of \$216 million in the General Fund. Spillover revenue is a portion of the sales tax on gasoline and only occurs in years when gasoline prices are high relative to the prices of all other goods.

Staff Recommendation: Keep this budget open because (1) the proposal to redirect spillover revenue to the General Fund should be further considered in the overall context of transportation funding levels, and (2) the Administration generally provides a new forecast of these revenues with the May Revision of the Budget.

Action: *Budget kept open pending May Revision revenue numbers.*

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

The Governor proposes total expenditures of \$8.0 billion (\$0 General Fund), a decrease of \$119 million (1.5 percent) from the current-year budget.

Expenditure by Program (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Aeronautics	\$7,620	\$12,705	\$5,085	66.7
Highway Transportation	7,220,543	\$6,583,256	-637,287	-8.8
Mass Transportation	254,371	755,817	501,446	197.1
Transportation Planning	143,940	145,940	2,000	1.4
Administration	327,088	319,207	-7,881	-2.4
Equipment Program	147,685	165,046	17,361	11.8
State Mandated Local Programs	1	0	-1	-100.0
Total	\$8,101,248	\$7,981,971	-\$119,277	-1.5

Expenditure by Category (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Personal Services	\$1,779,950	\$1,799,077	\$19,127	1.1
Operating Expenses and Equipment	1,383,402	\$1,425,629	42,227	3.1
Tort Payments	41,356	41,356	0	0.0
Debt Service (GARVEE bonds)	54,695	72,899	18,204	33.3
Local Assistance	1,980,369	1,429,380	-550,989	-27.8
Capital Outlay - Office Buildings	2,483	34,646	32,163	1,295.3
Capital Outlay - Transportation Projects	2,835,008	3,147,984	312,976	11.0
Unclassified	23,985	31,000	7,015	29.2
Total	\$8,101,248	\$7,981,971	-\$119,277	-1.5

Expenditure by Fund Type (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
General Fund	\$0	\$0	\$0	0.0
Federal Trust Fund	2,921,927	\$2,402,637	-519,290	-17.8
Special Funds and Bond Funds	4,181,094	4,683,294	502,200	12.0
Reimbursements	998,227	896,040	-102,187	-10.2
Total	\$8,101,248	\$7,981,971	-\$119,277	-1.5

Caltrans Budget Changes proposed for Consent / Vote Only

- 1. San Diego District 11 Leased Office Space (BCP #1).** Caltrans requests a two-year limited-term augmentation of \$1.186 million in 2005-06 and \$1.055 million in 2006-07 (both years funded by the State Highway Account) to fund additional "swing space" lease cost due to delays in completion of the new San Diego District 11 office building. The swing space is temporary office space to house Caltrans personnel who were vacated from the old District 11 office building, which was demolished as part of the construction of a new facility. Caltrans indicates the project delays occurred during the preliminary plans and working drawings phase of the project and the construction should now be completed by June 2006.

Background: The 2002 Budget Act appropriated \$72.6 million for the Construction phase of the San Diego District 11 office building replacement project. Additionally, the 2002 Budget Act approved swing space funding totaling \$11.2 million over a four-year period. The construction phase was augmented by \$7.7 million by Executive Order C 03/04 – 56. The construction of the building is being financed with lease-revenue bonds.

Action: *Issue approved on a 2-1 vote with Senator McClintock voting no.*

- 2. Maintenance of Electronic Toll Collection Equipment (BCP #7).** Caltrans requests a permanent increase of \$289,000 (reimbursements from the Bay Area Toll Authority) and 3 positions for the maintenance and materials cost of toll facilities and electrical toll collection equipment associated with the Advanced Toll Collection and Accounting System (ATCAS).

Background: The 2000 Budget Act provided \$28.7 million in one-time funding for the completion of Advanced Toll Collection and Accounting System. Prior to December 2003, a contractor maintained the system. Beginning in January 2004, the maintenance of the system became the responsibility of Caltrans.

Action: *Issue approved on a 2-1 vote with Senator McClintock voting no.*

- 3. Oakland District Office Building Seismic Retrofit (CO BCP #1).** The Administration requests \$34.5 million (State Highway Account) to fund the working drawings and construction of the Oakland District Office building seismic retrofit. This retrofit would upgrade the building from a seismic Risk Level V to a Risk Level III, which is consistent with the state seismic program performance standards.

Background: The building was constructed in 1991 and was designed utilizing the seismic provisions of the 1988 Uniform Building Code. While it is surprising that a building constructed in 1991 would rate a seismic level V, Caltrans reports that designers and construction firms associated with the 1991 project bear no liability, since the building was constructed to the codes at the time. Funding of \$1.3 million was approved in the 2004 Budget Act to fund preliminary plans for this project.

Action: *Issue kept open – the Subcommittee requested that Caltrans provide additional information on why building designers and contractors bear no liability for a 1991 building that now requires seismic retrofit.*

Staff Recommendation: Approve these consent / vote-only issues.

Caltrans Budget Issues proposed for Discussion

- 1. Transportation Funding.** The Governor proposes to retain gasoline sales tax revenue of approximately \$1.53 billion in the General Fund in 2005-06 instead of transferring these funds to transportation. This revenue would otherwise support transportation through a \$216 million Public Transportation Account “spillover” transfer and a \$1.31 billion Proposition 42 transfer. The Director of Finance also indicates the Administration will propose a Proposition 42 suspension in 2006-07, reducing transportation funds by an additional \$1.38 billion.

The Administration indicates that the issuance of tribal-gaming bonds to repay \$1.2 billion in transportation loans has been delayed from 2004-05 to 2005-06, due to litigation. Current statute requires the repayment of this \$1.2 billion loan by June 30, 2006. Proposed trailer-bill language would remove the statutory due date as well as the General Fund obligation to repay any loan obligation not covered by tribal-gaming revenue.

The Governor proposes to reschedule past Proposition-42 transportation loans due no later than June 30, 2009, over a 15-year period ending in 2021-22.

These proposals would delay highway and mass-transit projects in the Traffic Congestion Relief Program, the State Transportation Improvement Program, and delay improvements to local streets and roads. The Governor proposes an amendment to the Constitution to prohibit the suspension of Proposition 42 after 2006-07.

The table below shows the history and Governor’s proposals for transportation loans to the General Fund.

Transportation Loans to the General Fund	Loan Amount (in millions)	Current-law due date	Proposed due date
Traffic Congestion Relief Fund loans (made in 2001-02 and 2002-03)	\$1,383	June 30, 2006	By tribal gaming revenue - no GF obligation
2003-04 Propositions 42 loan	868	June 30, 2009	June 30, 2022
2004-05 Proposition 42 loan	1,243	June 30, 2008	June 30, 2022
2005-06 Proposition 42 loan (proposed)	1,310	n.a.	June 30, 2022
2006-07 Propositions 42 Loan (proposed)	1,383	n.a.	June 30, 2022
Total	\$6,187		

Staff Comment & Suggested Questions: The subcommittee may wish to ask the Administration the following questions regarding the Governor's transportation proposals.

Traffic Congestion Relief Fund (TCRF) loans and tribal-gaming revenues/bonds:

- The State is receiving approximately \$25 million quarterly from gaming revenues for transportation loan repayment. This cash balance is not necessary for the bond issuance. When will the administration transfer the gaming-revenue cash balance to the TCRF? - The faster the cash is received in transportation accounts, the faster projects can move forward.
- If tribal-gaming revenues are insufficient to repay this loan, the Administration's proposed trailer-bill language would remove the obligation of the General Fund to repay the remainder. Why is the Administration proposing removing the statutory requirement that the TCRF loans be repaid in full?
- Why did the Administration decide to exclude the TCRF loan from the proposed constitutional repayment requirements in ACA 4X?

Proposition 42 and ACA 4X

- Concerning ACA 4X, why is the Administration proposing to treat future Proposition 42 reductions from across-the-board budget reductions as a cut instead of a loan?
- The language in ACA 4X is not specific concerning the allocation of revenue from future Proposition-42 loan repayments. Is it the intent to the Administration to allocate those revenues in the same manner those funds would have otherwise been allocated without Proposition-42 suspensions?

The Effect of the Governor's Proposals on Transportation Projects. The California Transportation Commission (CTC) provided information on transportation projects delayed under the Governor's proposal. The information is summarized on the next page, but more detailed CTC documents are Attachment I to this agenda. The dollars in the tables for 2005-06 represent the funding required on top of the Governor's budget to fund the described project categories.

Traffic Congestion Relief Program (TCRP) Projects

The CTC has not made a new TCRP allocation since December 2002. The TCRP program includes \$4.9 billion in project funding and \$1.5 billion has been allocated to date. The “resources needed” line below represents the cash needed to move forward with all TCRP projects.

	2005-06	2006-07	2007-08	Beyond
TCRP Existing Allocations	\$0	\$76 M	\$18 M	\$0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$0	\$150 M	\$0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
TCRP Non-Construction in 2005-06 and Future Year New Allocations	\$262 M	\$341 M	\$516 M	\$853 M
Resources Needed	\$797 M	\$720 M	\$856 M	\$1.136 B

State Transportation Improvement Program (STIP) Projects

The CTC indicates that without the Proposition 42 transfer or loan repayments, there will be little if any capacity to approve STIP allocations in the 2005-06 fiscal year. All, or nearly all, cash available from the State Highway Account will be required to cover the State Highway Operations and Protection Program (SHOPP) allocations and continuing expenditures from past STIP allocations, including continuing preconstruction work that is programmed in prior years. The “resources needed” line below represents cash needed for the allocation of \$1.564 billion in STIP projects in 2005-06.

	Total	2005-06	2006-07	2007-08	Beyond
STIP State Highway Projects - Construction in 2005-06	\$763 M	\$153 M	\$381 M	\$229 M	\$0
STIP State Highway Projects - Preconstruction for 2006-07 to 2008-09	\$137 M	\$27 M	\$69 M	\$41 M	\$0
STIP State Highway Projects - Preconstruction for Beyond 2008-09	\$26 M	\$5 M	\$13 M	\$8 M	\$0
STIP Local Projects - Construction	\$257 M	\$51 M	\$129 M	\$77 M	\$0
STIP Local Projects - Preconstruction	\$97 M	\$19 M	\$49 M	\$29 M	\$0
<i>Subtotal, No TCRP Match</i>	<i>\$1.280 B</i>	<i>\$256 M</i>	<i>\$640 M</i>	<i>\$384 M</i>	<i>\$0</i>
STIP State Highway Projects - Construction in 2005-06 (Match TCRP)	\$277 M	\$55 M	\$138 M	\$83 M	\$0
STIP State Highway Projects - Preconstruction for Beyond 2008-09 (Match TCRP)	\$7 M	\$1 M	\$4 M	\$2 M	\$0
<i>Subtotal, TCRP Match</i>	<i>\$284 M</i>	<i>\$57 M</i>	<i>\$142 M</i>	<i>\$85 M</i>	<i>\$0</i>
Resources Needed	1.564 B	\$313 M	\$782 M	\$469 M	\$0

See attachment for footnotes to this table.

Staff Comment: The Subcommittee may wish to hear testimony from the CTC on this project information.

Staff Recommendation: Keep the transportation funding proposals open pending the May Revision and revised forecasts of gasoline sales tax revenues from the Department of Finance.

Action: *Issue kept open pending the May Revision of the Governor's Budget. (Senator McClintock made a motion to reject this issue, which failed on a 1-2 vote)*

- 2. Specialty Building Facilities (Committee-staff issue).** Caltrans plans to spend \$212 million through 2007-08 on non-office-building facilities. Caltrans operates 28 equipment facilities, 304 maintenance facilities, and 15 material labs across the state. Additionally, all of Caltrans' districts operate some type of a traffic management center – either as a stand alone facility or as part of another facility. While funding for office-building projects is reviewed by the appropriate control agencies (the Department of General Services and the Capital Outlay Unit of the Department of Finance) and funding is specifically approved for these projects by the Legislature, that is not the case for non-office-building facilities.

Funding and Approval Process: Non-office-building facilities are funded using the State Highway Operation Protection Program (SHOPP) Budget-Act appropriations. The projects are programmed in the four-year SHOPP, and projects cannot go forward until receiving an allocation from the California Transportation Commission.

Cost of Non-office-building Projects: The 2004 SHOPP (covering the period of 2004-05 through 2007-08) programs \$187 million for maintenance, equipment and lab facilities, and \$25 million for a new traffic management center in San Bernardino. The list below summarizes the facility projects awaiting a CTC allocation in the later half of 2004-05.

SHOPP Allocation List for 2004-05 (\$1,000)	
Maintenance Facilities	
New or remodeled facilities	\$39,059
Equipment/material storage	\$8,959
Paving/landscaping	\$1,664
Back-up generators	\$280
SUB TOTAL	\$49,962
Equipment Shop Upgrades	\$1,374
Material Labs	\$2,000
Traffic Management Centers	\$2,911
TOTAL	\$56,247

Staff Comment: The Subcommittee may wish to explore ways to review the current Caltrans building-facilities process and the necessity to expend at this \$50 million annual rate. The LAO or the Department of Finance Performance Review Unit may be appropriate entities to conduct this review. Additionally, the Subcommittee may wish to create a separate appropriation for these facilities expenditures so they can be tracked in the budget.

Staff Recommendation: Keep this issue open for further discussion.

Action: *Issue kept open – staff to work with work with the Administration on a separate appropriation to be discussed further at a later hearing.*

- 3. Update on Cash Management (Informational issue).** Last year, the Legislature approved \$734,000 (State Highway Account) and 8 positions (two-year limited term) to allow Caltrans to accelerate the receipt of federal reimbursements, which would in turn allow additional transportation projects to receive allocations to begin construction. At the time of last-year's Governor's Budget, the Administration estimated a \$800 million acceleration from cash management; however, that estimate fell to \$200 million by the May Revision. Caltrans reports that \$65 million in federal reimbursements have been received through January 2005, due to this effort.

What is cash management? The federal government funds transportation projects on a reimbursement basis. Each year, the federal government provides Obligation Authority (OA) that defines the level of federal reimbursements available. Since road construction projects may take several years to complete, the federal government also allows states to begin projects with future OA – called Advanced Construction (AC). For example, construction expenses in 2006-07 would be reimbursed with OA received in 2006-07, instead of unused OA saved from 2004-05. To maximize federal reimbursement in a given year, current reimbursement authority (OA) should be directed to current expenditures and not held unused for future expenditures. Cash management involves directing OA and AC to state and local projects to speed the flow of federal transportation money to California.

Benefit of cash management: Currently, there are highway projects ready for construction that are delayed due to insufficient cash in transportation accounts. Accelerating federal reimbursements provides cash which allows the CTC to make allocations to transportation projects.

Outlook for unreimbursed federal projects: Despite the cash-management effort, Caltrans estimates that unreimbursed federal expenditures will be \$1.127 billion at the end of 2004-05 and grow to \$1.463 billion by the end of 2005-06. The State Highway Account covers expenditures prior to federal reimbursement.

Can more be done? Caltrans reports that as of January 31, 2005, the State had \$948 million of unused federal reimbursement authority (OA) and an additional \$598 million at the local level. Caltrans indicates that the department is using cash management for local projects on the highway system, but not for projects off the highway system. Also State reimbursement authority is not always used with the first eligible expenditure.

Staff Comment: If Caltrans could further accelerate federal reimbursements, additional cash would be available to move some stalled transportation projects. Caltrans should discuss what changes could be made to their cash management practices to bring in additional federal reimbursements and additionally why those change would, or would not, be desirable.

Action: Informational item – no vote. Staff to gather more information from Caltrans as needed.

- 4. Transportation Funds – Budgetary Accounting (LAO issue).** The LAO recommends that the Legislature approved amendments to statute, through a budget trailer bill, to remove the authority for the Director of Finance to select the accounting and reporting systems for four transportation funds. The Director of Finance has chosen to display these accounts on a “modified-cash” basis instead of the “modified-accrual” basis, which is standard for most state funds.

Cash versus accrual accounting: Most funds in the Governor’s Budget are displayed on a “modified-accrual” basis, which shows funds as expended when the State commits to making the payments, instead of when the cash is actually transferred out of the fund. Cash accounting shows funds as expended when the cash actually leaves the funds. Because many transportation projects expend funds over several years, the modified-accrual accounting would show all expenditures in the first year, instead of over several years as the contractors are actually paid. For transportation funds, using modified-accrual would sometimes result in a negative fund balance, when the funds may have several hundred million dollars of cash balances.

LAO recommendation: The LAO recommends that transportation funds be budgeted using a modified-accrual accounting treatment, and that statute be accordingly amended. The LAO argues that showing all of Caltrans’ funds on the same accounting basis as the rest of the budget would allow the Legislature and the public to accurately determine the size of Caltrans’ budget, track changes over time, and compare Caltrans’ expenditures to those of other programs. This would greatly enhance legislative oversight and provide the Legislature with a firmer basis on which to make Caltrans budget decisions.

Staff Comment: Consistent budgetary treatment of transportation funds would improve the ability of the Legislature to analyze the Caltrans budget. The Subcommittee may wish to ask the LAO and the Administration to discuss why the modified-accrual or cash treatment is better for these transportation funds. Upon determining the best accounting treatment, the Legislature may want to consider making that specific in statute.

Staff Recommendation: Keep issue open. Direct staff to work with the Administration and LAO to identify the accounting treatment that would best meet the needs of the State.

Action: *Issue kept open – staff to work with the Department of Finance and the LAO on the appropriate accounting/budgetary system (either modified accrual or cash, not a combination of the two).*

- 5. Environmental Enhancement and Mitigation (EEM) Program (Committee-staff issue).** The Administration is proposing no funding for the EEM program in 2005-06. The EEM Program funds grants for projects such as hiking and biking trails, landscaping, and the acquisition of park and wildlife areas.

Background: The EEM Program was initiated by Chapter 106, Statutes of 1989, which provided for annual transfers of \$10 million from the State Highway Account (SHA) to the EEM Fund for a ten-year period. At the expiration of the ten-year period, the Legislature decided to continue funding at the \$10 million level and current statute cites the intent of the Legislature to allocate \$10 million annually to the EEM Program. Due to declining SHA balances, no transfers were made from the SHA to the EEM Fund in 2003-04 and 2004-05. However there was an existing balance in the EEM Fund of about \$10 million, and appropriations were included in the 2003-04 and 2004-05 Budget Acts to allow for EEM Program grants of \$5 million in each year.

Staff Comment: The EEM Fund balance is expected to fall to under \$1 million at the end of 2004-05. Therefore, the program cannot continue at the 2004-05 level without a transfer of about \$4.2 million from the SHA.

Staff Recommendation: Leave this issue open. Discuss EEM funding again at the May Revision hearing, when more will be known about the overall level of transportation funding.

Action: *Issue kept open pending the May Revision of the Governor's Budget.*

- 6. Highway Maintenance Funding (BCP #6).** The Administration requests a permanent increase of 38.0 positions and \$45.8 million for highway infrastructure preservation and to implement the statewide culvert inspection and repair program.

Background: The 2004 Budget Act included a one-time augmentation of the same amount (\$45.8 million) and approved budget trailer legislation (SB 1098) requiring Caltrans to provide the Legislature with a five-year maintenance plan by January 31, 2005. This yet-to-be-released report, should provide additional information on the appropriate level of maintenance funding.

Staff Recommendation: Keep issue open: The still-outstanding maintenance report is necessary to evaluate this request.

Action: *Issue kept open pending the receipt of the maintenance report. The Department of Finance estimated the report should be available in a week or two.*

- 7. Storm-water Workload (BCP #8).** The Administration requests a permanent increase of 45 positions and \$11.7 million (of this, \$3.787 million is limited-term) for the maintenance of storm-water structural treatment best management practices. Caltrans' storm-water activities are driven by requirements of the federal Clean Water Act, requirements of the State Water Resources Control Board and various regional boards, and legal settlements. This specific request relates to requirements of a recent legal settlement with the Natural Resources Defense Council.

Legislative Analyst Recommendation: In the *Analysis of the 2005-06 Budget Bill*, the LAO recommends that this request be denied because to date, Caltrans has provided poor and contradictory workload estimates. However, the LAO recommends the Administration resubmit its request as a Finance Letter using updated estimates.

Staff Comment: Caltrans indicates that better information now exists on the workload associated with the legal settlement.

Staff Recommendation: Reject this request, as recommended by the LAO. If the Administration still believes a new workload exists, this request should be resubmitted as an April Finance Letter with the updated workload calculations.

Action: *Issue rejected on a 3-0 vote. The Administration will submit an April Finance Letter with updated workload projections for this issue.*

- 8. Capital Outlay Support Program Service Contracts (BCP #14).** The Administration requests a permanent increase of \$11.7 million (to \$23.6 million – a 98 percent increase) for non-project-specific contracts. Services include document reproduction, photography and satellite imagery, environmental studies, and training.

Capital Outlay Support Service Contract Budgets (in \$ millions)			
	2003-04	2004-05	2005-06*
Non-Project-Specific Contracts	\$17.977	\$11.894	\$23.593
Project-Specific Contracts	\$4.083	\$7.647	\$7.647
Total	\$22.060	\$19.541	\$31.240
* Proposed. The Administration may request an adjustment to the Project-Specific-Contract budget in a May Finance Letter.			

Staff Comment: The Subcommittee may want staff to periodically review capital-outlay-support contracts to determine if expenditures are consistent with legislative priorities. Caltrans indicates it will share, upon request, a list of contracts including a brief description of the needed service and the amount of funding expended.

Staff Recommendation: Approve the request.

Action: *Issue kept open – Caltrans will provide more detailed expenditure information on this request.*

- 9. Historic Property Maintenance (BCP #12).** Caltrans requests a permanent increase in expenditure authority of \$1.5 million (Historical Property Maintenance Fund) to fund repairs and maintenance on historic properties that Caltrans owns for highway right-of-way purposes. The amount requested matches annual expenditures in 2003-04 and 2004-05, which were authorized on a limited-term basis.

Background: Caltrans owns residential and other properties that were purchased as right-of-way for highway construction. In some cases, the properties include houses that have been declared historically-significant and as such state and federal law requires their preservation. Many of these properties are located on the Route 710 corridor in Pasadena, and have been owned by Caltrans for over 40 years. Caltrans has been criticized and sued over the maintenance of these properties. Senate Bill 1221 (Chapter 759, Statutes of 1999, Schiff), created the Historical Property Maintenance Fund, which is funded by fifty percent of the revenue receipts collected from Caltrans-owned federally-designated historic properties.

Staff Comment: Staff recently found provisional language in the 2001 Budget Act that required Caltrans to submit to the Legislature a work plan and cost estimates for the rehabilitation of historic properties located on the 710 corridor. Staff has requested a copy, but has not received one to date.

Staff Recommendation: Keep this issue open, so the 710 corridor report can be provided and reviewed.

Action: *Issue kept open. Caltrans indicated it will provide the 710 corridor report in time for consideration by budget subcommittees.*

- 10. Fuel and Insurance Cost Escalations (BCP #5).** The Administration requests \$13.1 million in additional expenditure authority to fund various Caltrans programs for price increases for fuel and insurance. The increase for fuel is \$9.8 million (to \$26.5 million – a 59 percent increase) and the increase for insurance is \$3.2 million (to \$8.8 million – a 58 percent increase). Caltrans indicates that it has not received a fuel price increase since 2001-02. In 2001-02, fuel prices averaged \$1.38 per gallon, and Caltrans projects fuel prices will average \$2.19 per gallon in 2005-06. Caltrans indicates the cost of insurance has increased 61 percent since 2003-04.

Staff Comment: Caltrans projects a 10.5 percent fuel expenditure increase from 2004-05 to 2005-06 while the Department of Finance Economic Research Unit forecasts California Gasoline Consumer Price Index will fall by 8.4 percent.

Staff Recommendation: Approve request minus \$2.528 million: this would provide a \$7.2 million fuel increase but tie 2005-06 funding to costs projected for 2004-05.

Action: *Issue kept open. Finance proposed an alternate funding level of the BCP minus \$528,000, and will provide additional information to Subcommittee staff.*

- 11. Equipment Program (BCP #16).** The Administration requests one-time funding of \$75,000 (Equipment Service Fund) to reimburse the Department of Finance, Office of State Audits and Evaluation, to serve in an advisory function as the Department develops record keeping systems for the Equipment Program to meet federal and state reporting requirements.

Background. A number of changes to the Equipment Program were instituted in 2000-01 with BCP 16. Most significantly, the Equipment Service Center Internal Service Fund was established and Caltrans was provided the authority to rent idle equipment to local agencies. That BCP indicated that 227 Caltrans vehicles were used less than 50 percent of the year, and if these vehicles were rented to other public agencies, \$5.7 million in rental revenues could be generated. Additionally, it was thought that program changes would decrease equipment needs, by encouraging more sharing of underutilized vehicles across Caltrans programs and districts.

Staff Comment. Staff understands that no Caltrans vehicles are currently being leased to other public agencies, and that few vehicles are shared among programs and districts. Caltrans should explain what has prevented the department from achieving the goals of the 2000-01 program reforms. If vehicles are not being shared across agencies and Caltrans's programs, can the accounting system be simplified to reduce costs? The Administration indicates the scope the consulting services will also include advice on the appropriateness of the accounting system relative to the way the Equipment Program actually operates.

Staff Recommendation: Approve the request.

Action: *Issue approved on a 2-1 vote with Senator McClintock voting no.*

- 12. Strategic Performance Measures (BCP #10).** The Administration is requesting a permanent increase of \$657,000 (State Highway Account) and 4 positions to implement strategic organizational and transportation system performance measures.

Detail: Caltrans indicates the Strategic Performance Measures initiative is consistent with recommendations of the Performance Improvement Initiative for transportation spearheaded by the Secretary of the Business, Transportation and Housing Agency. Key objectives of the request include developing and implementing strategic performance measurement tools to (1) transform the Department into a more nimble, responsive and accountable business partner, (2) assess results of transportation decisions and investments, and (3) continuously improve department productivity and services by aligning department functions with strategic objectives. The output of this effort is quarterly and annual performance reports

Staff Comment: Caltrans indicates the quarterly and annual reports associated with this proposal would be made available to the Legislature, although there is no formal reporting requirement.

Staff Recommendation: Approve request, but make funding and positions two-year limited-term. If these performance measure are not useful in improving outcomes, the funding should not be provided on a permanent basis. To continue funding beyond two years, the Department would have to come forward for the 2007-08 budget and justify continued funding.

Action: *Issue approved, but funding and position authority was changed to two-year limited term. The vote was 2-1 with Senator McClintock voting no.*

2665 High-Speed Rail Authority

The California High-Speed Rail Authority (HSRA) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The HSRA is required to prepare a plan for the financing, construction, and operation of a high-speed network for the state that would be capable of achieving speeds of at least 200 miles per hour. The HSRA has completed its business plan, initial finance plan, and currently is completing a program environmental impact report (EIR) and related technical studies. Current law provides for a proposition on the November 2006 ballot to provide \$9.95 billion in general obligation bonds for the high-speed rail and related rail projects. The total cost to build the entire system was most-recently estimated at \$37 billion.

The Governor proposes \$3.9 million in total expenditures for the HSRA, an increase of \$2.1 million (120 percent) from the current-year budget.

Issues

1. Legal Defense of the Program Environmental Impact Report (part of BCP 1).

The HSRA is requesting a one-time augmentation of \$500,000 (Public Transportation Account) to prepare an administrative record for the defense of the EIR as well as respond to all lawsuits filed regarding the EIR.

Background: Last year the HSRA indicated additional funding was needed to complete the EIR, and the Legislature augmented the HSRA budget by \$720,000. The Governor vetoed this augmentation. The HSRA indicates that the EIR was delayed, which also delayed legal costs – \$300,000 budgeted in 2004-05 for legal costs was instead redirected to cover the cost of the completing the EIR.

Staff Comment: The HSRA indicates that the estimate for legal costs was provided by the Attorney General.

Staff Recommendation: Approve the request.

Action: *Issue kept open.*

- 2. Financing Plan (part of BCP 1).** The HSRA is requesting a one-time augmentation of \$500,000 (Public Transportation Account) to prepare a financing plan for the high-speed train system. Current law provides for a proposition on the November 2006 ballot to provide \$9.95 billion in general obligation bonds for the high-speed rail and related rail projects.

Staff Comment: The HSRA indicates the bond was not an element in the Business Plan completed in 2000, and therefore no complete financing plan exists that includes the bonds.

Staff Recommendation: Approve the request.

Action: *Issue kept open.*

- 3. Next-Tier Environmental Impact Report (part of BCP 1).** The HSRA is requesting a one-time augmentation of \$1.7 million (Public Transportation Account) for the preparation of the “next-tier” program EIR to study the Central Valley to San Francisco Bay Area portion of the planned high-speed train route. The HSRA indicates this study will be an entirely new EIR process, and not part of the current program EIR. If the State does move forward with construction of the high-speed rail system, a project-specific EIR will be required.

Background: Past EIR work has studied Central Valley to Bay Area route alignments in the areas south of San Jose. At public hearings, the HSRA received a great deal of input on an alternative route alignment, further to the north, along the Altamont Pass (near Interstate 580). The HSRA indicates additional technical review of route options on this segment are required to address the concerns of the public.

Assembly Bill 3047 (Chapter 650, Statutes of 2004), allows for up to \$2.5 million of Measure 2 toll money to be expended by the “Metropolitan Transportation Commission and the High-Speed Rail Authority to study Bay Area access to the High-speed rail system.” According to the Metropolitan Transportation Commission, this funding is not available for EIR funding, but rather for a regional alignment study.

Staff Comment: The Subcommittee may want to consider delaying this next-tier EIR until after the November 2006 bond vote. The benefit of this action would be to minimize expenditures prior to the public vote to fund the construction of this project. The risk of this action would be that upon approval of the bonds by voters, the project is delayed while the next-tier EIR is completed.

Staff Recommendation: *Keep open for further review.*

Action: *Issue kept open – the Subcommittee requested information from the HSRA on the addition EIR cost if this study was deferred until after the November 2006 bond vote.*

2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for state employees and property.

The Governor proposes \$1.4 billion in total expenditures for the CHP, an increase of \$44 million (3 percent) from the current-year budget.

Budget Changes proposed for Consent / Vote Only

1. **Reimbursement Authority (BCP #7).** The Administration requests increased CHP reimbursement authority of \$480,000 and 5.5 additional positions to perform administrative functions for programs that transferred from the Technology, Trade, & Commerce Agency to the Business, Transportation & Housing Agency. These programs include the Film Commission, the Infrastructure Bank, the Small Business Loan Program, and the Office of Military Support. The 5.5 positions can be split into two groups:
 - 2.0 positions are currently Business, Transportation and Housing (BT&H) Agency positions loaned to the CHP. The related BT&H-Agency BCP #1 was approved by the Subcommittee at the March 2, 2005, hearing on a 2-1 votes (Senator McClintock voting no).
 - 3.5 positions are currently limited-term positions funded by reimbursements from the BT&H Agency. The CHP indicates the administrative workload performed for the Agency is ongoing at this level.

Staff Recommendation: Approve this request.

Action: *Approved on a 2-1 vote with Senator McClintock voting no. The Subcommittee requested that the Department of Finance explain why the CHP performs administrative work for other departments and offices. (i.e. what other options exist for this workload other than the CHP, and why is the CHP the preferred service provider)*

Budget Changes proposed for Discussion / Vote

1. Capital Outlay (CO BCPs 1, 2, 4, 5, & 6). The Administration requests an augmentation of \$10.2 million in Motor Vehicle Account funds for the following facilities projects:

- Santa Fe Springs area office: Design and construct a new office at a cost of \$3.3 million. The CHP indicates the existing facility was designed to house 60 officers, but now houses 114 officers.
- Los Angeles area office: Purchase for \$2.3 million the existing facility that the CHP currently leases. The facility was built-to-suit for the CHP with a purchase option. The CHP began occupancy in January 2003 and the lease agreement allows for purchase after January 1, 2005.
- Williams area office: Construct a new office at a cost of \$4.3 million. The Williams area office was damaged by fire in 1999.
- San Diego area office: Construct office alterations at a cost of \$215,000.
- Oakhurst area study: Develop a future capital outlay proposal at a cost of \$50,000.

Staff Recommendation: Approve this request.

Action: *Issue kept open – staff to clarify cost figures for these projects.*

2. Fuel, Vehicles, Insurance, Interagency Services – Inflation Adjustment. (Baseline BCP) The Administration included in CHP's baseline budget adjustments a total increase of \$10.6 million (special fund) to cover price increases in the following areas:

- \$4.0 million for gasoline,
- \$1.4 million for vehicles;
- \$4.6 million for insurance;
- \$0.6 million for interagency services.

This \$10.6 million "baseline BCP" price adjustment was in addition to the standard "Price Letter" inflation adjustment of \$6.6 million.

Staff Comment: The CHP indicates that the standard "Price Letter" inflation increase was not adjusted down to account for CHP-specific inflation adjustments. Therefore, \$1.2 million of the total inflation adjustments are duplicative. The CHP re-estimated gasoline expenditures based on March 8, 2005, prices, and found that if these prices continued into 2005-06, fuel costs would exceed the BCP request by \$1.3 million. The BCP analyzed over 12 months of price data to forecast costs.

Staff Recommendation: Approve the inflation adjustments minus \$1.2 million to back out the duplicative inflation adjustment.

Action: *Issue kept open – staff to work with CHP and the Department of Finance on the gasoline price forecast.*

- 3. Overtime Pay – Augmentation (Baseline BCP).** The Administration increased the CHP's overtime budget by \$5.4 million (special funds) as a baseline adjustment. This adjustment is in addition to employee compensation augmentations. The CHP indicates this adjustment is not intended to fund additional overtime hours, but rather fund the cost-increase for baseline overtime hours.

Staff Comment: The CHP recently reviewed 2004-05 overtime usage and reported: "During the first seven months of 2004-05, the impact of the increased hourly cost for uniformed overtime has been mitigated by lower than normal activity levels. If this trend continues, the CHPs non-reimbursed overtime costs for 2004-05 will trail last year's cost." However, the CHP believes the lower 2004-05 overtime usage is an aberration instead of a continuing trend.

Staff Recommendation: Keep issue open. Recent trends indicate that overtime costs in 2004-05 are less than in 2003-04; however, that trend may not continue. Direct staff to gather more information on unfunded overtime at the CHP.

Action: *Issue approved on a 2-1 vote with Senator McClintock voting no.*

- 4. 911 Dispatch (Staff issue).** The Administration should discuss budget changes needed to implement the recommendation in the State Auditor's report, *Wireless Enhanced 911: The State Has Successfully Begun Implementation, but Better Monitoring of Expenditures and Wireless 911 Wait Times is Needed*. The Auditor had the following four finding related to the CHP:

- Most CHP centers do not have systems to monitor how long they take to answer 911 calls, and more than half the centers that tracked wait times did not meet the State's goal to answer 911 calls within 10 seconds.
- Wait times were high, in part, because dispatchers at CHP centers handled significantly more 911 calls per dispatcher than did local answering points we contacted.
- Unfilled dispatcher positions at CHP centers contributed not only to longer wait times but also to significant overtime costs for the CHP.
- The CHP does not expect the number of wireless 911 calls diverted to local answering points to exceed 20 percent statewide.

Staff Comment: Concerning the first bullet, the CHP indicates that all 25 communications centers now have equipment to track call wait times. The CHP should be prepared to discuss progress made in addressing all the Auditor's findings, and what budget changes could be made to improve the continuing program deficiencies.

Staff Recommendation: Keep issue open.

Action: *Informational issue, no vote.*

- 5. Workers' Compensation & Industrial Disability Retirement (LAO issue).** The LAO recommends that the Legislature adopt supplemental report language to require the CHP to establish and report on its goals and performance measures in order to assess the effectiveness of its actions to reduce costs and claims associated with workers' compensation claims and industrial disability retirement.

Background: According to information in the LAO's *Analysis of the 2005-06 Budget Bill*, the CHP spent \$68 million in 2003-04 on workers' compensation costs – a \$25 million increase from 1998-99. Additionally, the rate of uniformed staff retiring on industrial disabilities is higher than statewide public safety personnel as a group in the Public Employees' Retirement System. Industrial-disability retirees do not pay state or federal income taxes on half of their annual pension amounts.

The CHP issued a report titled *Workers' Compensation and Disability Retirement within the CHP*, in November 2004, which included findings and corrective measures.

LAO Recommendation: The LAO's *Analysis* indicates that the CHP's report and subsequent actions are a reasonable first step; however, further investigation is warranted. Specifically, the LAO notes that the higher rate of disability retirement among chiefs relative to rank-and-file officers is not adequately explained. Additionally, the LAO recommends performance measures to assess the success of the corrective measures. The LAO recommends that the Legislature adopt the following supplemental report language.

The California Highway Patrol shall (1) investigate the reasons for the difference in industrial disability retirement (IDR) rates between high-ranking uniformed personnel (including chiefs, deputy and assistant chiefs) and lower-ranking personnel, and (2) report its findings to the Joint Legislative Budget Committee and the policy and fiscal committees of the Legislature by December 1, 2005. The investigation shall not be limited to age and length of service of the two groups of personnel, but shall also include other factors such as physical fitness and the nature of workers' compensation claims leading to IDR. The report shall identify corrective actions, as appropriate, targeted to reducing the high incidence of IDR among high-ranking personnel.

The California Highway Patrol shall report by December 1, 2005 on the goals and performance measures it will use to assess the success of its efforts to reduce workers' compensation and industrial disability retirement claims and costs. In establishing these goals and performance measures, the department shall examine the performance and policies of other public safety agencies in California and other states. Findings of this examination shall be included in the December report.

Staff Recommendation: Approve the LAO's supplemental report language.

Action: *Issue approved on 3-0 vote. (approving the LAO's supplemental report language). The CHP will separately provide additional year to year historical data.*

- 6. CHP Efficiency Improvements (LAO issue).** In the *Analysis of the 2005-06 Budget Bill*, the LAO outlines certain efficiency and policy actions the CHP could take to free up additional officers for street patrols.

Background: The LAO reports that since 1993, the number of road patrol officers increased by 12 percent (500 officers), while the number of accidents grew by 30 percent. Accident reporting and other workload increases have reduced the number of road patrol hours.

LAO recommendation: The LAO recommends the enactment of legislation directing CHP to do the following to free up officers for additional road patrol hours within existing budgetary resources:

- A. Reduce workload by discontinuing CHP report-writing for non-injury accidents (The LAO estimates this would free up the equivalent of 185 personnel-years)
- B. Use technology to streamline the CHP's record-keeping process. (The LAO estimates this would free up the equivalent of 100 personnel-years)
- C. Pilot test the use of nonsworn staff for nonenforcement road patrol duties such as directing traffic. (The LAO estimates that if the pilot were successful and expanded statewide this would free up the equivalent of 100 personnel-years)
- D. Backfill certain vacant nonpatrol officer positions in areas such as inspecting commercial vehicles and attending community outreach events with nonuniformed staff. (The LAO estimates that every 100 positions converted from uniformed to nonuniformed would provide enough savings to hire an additional 25 road patrol officers)

The LAO indicates these efficiencies would allow the CHP to increase patrol services by the equivalent of several hundred officers within existing budgetary resources.

CHP response: The CHP provided the following responses to the LAO recommendation (lettered responses below correspond to lettered recommendations above):

- A. Oppose, because it would reduce service to the public.
- B. Concur with some technology improvements (indicating some are already underway), indicates others are not feasible.
- C. Oppose because of safety concerns, and questions whether it could be determined in advance if the incident would be appropriate for a non-sworn employee.
- D. Concur with some activities, but disagrees with other, such as community outreach.

Staff Recommendation: Keep issue open.

Action: *No issues for vote at this time. The CHP will continue to work on these issues with the LAO and keep Subcommittee staff informed.*

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also issues licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale, and disposal of vehicles.

The Governor proposes total expenditures of \$762 million, an increase of \$7 million (1 percent) from the current-year budget.

Budget Changes proposed for Consent / Vote Only

1. **Moving Costs (BCP).** The Administration requests one-time funding of \$781,000, special funds, for moving costs related to three existing offices (in Rocklin, Poway, and Riverside East) where the lessors do not intend to renew the DMV lease.

Action: Issue kept open. The Subcommittee requested additional information from DMV to further detail the cost of moving these three offices.

2. **Capital Outlay (CO BCP 1 & 2).** The Administration requests an augmentation of \$11.2 million in Motor Vehicle Account funds for asbestos abatement and office renovations for the third floor of the Sacramento DMV headquarters building. Two floors have already been completed, after this request, two floors remain. Additionally, the DMV requests \$100,000 in capital outlay study funds for budget packages, special studies, and planning activities related to high priority capital outlay projects.

Action: Issue approved on a 2-1 vote with Senator McClintock voting no.

3. **Woosley v. DMV Refund Claims (BCP).** The DMV requests a one-time augmentation of \$1.5 million (special fund) to process refund claims related to Woosley v DMV. This case involved vehicle license fees (VLF) assessed on vehicles first registered outside of California. The California Supreme Court found that these fees on vehicles brought into the state, violated the Commerce Clause of the United States Constitution. Historically, DMV has been funding the costs of the case, including refunds, through deficiency requests and redirection. DMV indicates that they are requesting the new appropriation to avoid the necessity to submit a deficiency. The appropriation would only be available for expenditure on these claims.

Staff Comment: The DMV indicates Woosley costs averaging \$1.1 million were absorbed in 2003-04 and 2005-06; however, that resulted in delayed vehicle purchases, maintenance, etc.

Action: Issue approved on a 3-0 vote.

Budget Changes proposed for Discussion / Vote

- 1. Evaluations of High-Risk Drivers (LAO issue).** The LAO recommends adoption of budget bill language directing the department to transfer the workload for evaluating certain high-risk drivers from driver safety offices to its field offices, and to report on the impact of the transfer. The LAO suggests the “negligent operator” evaluations (concerning motorists that accrue an excessive number of moving violations or cause multiple traffic accidents) be moved to the field offices because these are the simpler type of evaluations that mid-level field office staff could perform with little training. This action would decrease the workload at the safety offices by about 10 percent and allow quicker evaluation of Driving-Under-the-Influence (DUI) cases and physical and mental ability cases. The LAO indicates that currently, DMV is not meeting statutory time frames for DUI cases.

LAO Recommendation: The LAO recommends that the Legislature adopt the following budget bill language:

The Department of Motor Vehicles shall transfer the workload associated with negligent operators from the driver safety offices to the customer-service field offices. As part of its 2006-07 budget submittal, the department shall provide information on the impact of the workload transfer on (1) customer-service field offices and driver safety offices, and (2) the delays in the evaluations of driving-under-the-influence cases and the reexamination of motorists who may be physically or mentally unfit to drive safely.

Staff Comment: The DMV indicates it needs additional time to evaluate and research this recommendation.

Staff Recommendation: Leave issue open.

Action: *Issue kept open (also at the request of DMV). The DMV, LAO, and staff will have further discussions on the merits of this proposal.*

- 2. Administrative License Suspension Mandate.** The Administration requests local mandate funding of \$10 million in 2004-05 and \$1.5 million in 2005-06 (both from the Motor Vehicle Account). State law requires a law enforcement officer (state or local) to immediately confiscate the driver license of a person arrested for driving under the influence of alcohol. The officer is then required to submit the driver license, a copy of the notice of suspension or revocation, and a written report regarding the circumstances of the arrest to DMV. In August 2002, the Commission on State Mandates determined that these activities are a state-reimbursable mandate. The 2004-05 funding would cover mandate costs from 1997-98 through 2004-05, and the 2005-06 funding would cover the ongoing annual cost.

Legislative Analyst Recommendation: In the *Analysis of the 2005-06 Budget Bill*, the LAO recommends that funding be approved for this mandate.

Staff Recommendation: Approve the request.

Action: *Issue approved on a 3-0 vote.*

Attachment I
California Transportation Commission
Traffic Congestion Relief Program
Funding Options

In February 2005, the California Transportation Commission in cooperation with the Department of Transportation surveyed all Traffic Congestion Relief (TCR) Program lead agencies to obtain the most current information on TCR Program projects. Each lead agency was asked to provide the expected cash flow for projects that had received an allocation of TCR Program funds, expected cashflow for future TCR Program fund allocations to complete the projects (assuming funding was made available in the 2005-06 fiscal year), and updated project schedules and funding plans.

Based on the survey results the following four funding options were developed:

Funding Option #1 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds.

Funding Option #2 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds, and funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP).

Funding Option #3 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds, funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP), and funding to resume making allocations for Phase 4 Construction or Procurement.

Funding Option #4 – Provide funding to complete the TCR Program.

Funding Option #1 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds.

The TCR Program began the 2004-05 fiscal year with available resources of \$355 million (primarily as a loan from the State Highway Account). The February 2005 survey of TCR Program lead agencies indicated that \$218 million will be expended in FY 2004-05 and \$134 million in FY 2005-06 for the projects and phases that had received an allocation of funds.

Resources needed by Fiscal Year for Funding Option #1:

	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Beginning Balance	\$355 M	\$137 M	\$3 M			
Cash-flow, existing allocations	\$218 M	\$134 M	\$79 M	\$18 M	\$0	\$0
Resources Needed			\$76 M	\$18 M		

Funding Option #2 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds, and funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP).

The TCR Program began the 2004-05 fiscal year with available resources of \$355 million (primarily as a loan from the State Highway Account). In an effort to keep projects on track, agencies indicated their willingness to fund projects using their own funds to proceed with the project work and be reimbursed in future fiscal years under an approved AB 1335 LONP.

Resources needed by Fiscal Year for Funding Option #2:

	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Beginning Balance	\$355 M	\$137 M				
Cash-flow, existing allocations	\$218 M	\$134 M	\$79 M	\$18 M	\$0	\$0
Repayment – Approved AB 1335 Letters of No Prejudice		\$119 M	\$0	\$150 M	\$0	\$0
Resources Needed		\$116 M	\$79 M	\$168 M		

Funding Option #3 - Provide funding to cover the projected costs for projects with an existing allocation of TCR Program funds, funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP), and funding to resume making allocations for Phase 4 Construction or Procurement.

The TCR Program began the 2004-05 fiscal year with available resources of \$355 million (primarily as a loan from the State Highway Account). Additional information furnished as part of the February 2005 TCR Program survey indicated approximately \$1 billion of TCR Program funded construction or procurement contracts are either ready to go to award or would be ready for award. Any decisions regarding funding to start new construction or procurement contracts should recognize the need of reliable funding beyond the budget year to complete the contracts.

Resources needed by Fiscal Year for Funding Option #3:

	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Beginning Balance	\$355 M	\$137 M				
Cash-flow, existing allocations	\$218 M	\$134 M	\$79 M	\$18 M	\$0	\$0
Repayment – Approved AB 1335 Letters of No Prejudice		\$119 M	\$0	\$150 M	\$0	\$0
Cash flow, 2005-06 Construction/Procurement Allocations		\$415 M	\$298 M	\$160 M	\$137 M	\$74 M
Resources Needed		\$531 M	\$377 M	\$328 M	\$137 M	\$74 M

Funding Option #4 – Provide funding to complete the TCR Program.

The TCR Program began the 2004-05 fiscal year with available resources of \$355 million (primarily as a loan from the State Highway Account). Additional funding is needed in 2005-06 and beyond to complete all projects contained in the TCR Program.

Resources needed by Fiscal Year for Funding Option #4:

	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Beginning Balance	\$355 M	\$137 M				
Cash-flow, existing allocations	\$218 M	\$134 M	\$79 M	\$18 M	\$0	\$0
Repayment – Approved AB 1335 Letters of No Prejudice		\$119 M	\$0	\$150 M	\$0	\$0
Cash flow, 2005-06 Construction/Procurement Allocations		\$415 M	\$298 M	\$160 M	\$137 M	\$74 M
Cash flow, 2005-06 Non-Construction Allocations and Future Year New Allocations		\$262 M	\$347 M	\$528 M	\$355 M	\$570 M
Resources Needed		\$793 M	\$724 M	\$856 M	\$492 M	\$644 M

Traffic Congestion Relief Program (TCR Program) Resource Need Summary

The Commission suspended making TCR Program allocations in December 2002 due to the continued uncertainty of program funding. Of the \$4.908 billion made available through AB 2928, the Commission had approved \$1.494 billion in project allocations.

In February 2005, the California Transportation Commission in cooperation with the Department of Transportation surveyed all Traffic Congestion Relief (TCR) Program lead agencies to obtain the most current information on TCR Program projects. Each lead agency was asked to provide the expected cashflow for projects that had received an allocation of TCR Program funds, expected cashflow for future TCR Program fund allocations to complete the projects (assuming funding was made available in the 2005-06 fiscal year), and updated project schedules and funding plans.

Resource Needs to Complete the TCR Program

	2005-06	2006-07	2007-08	Beyond
TCRP Existing Allocations	\$0	\$76 M	\$18 M	\$0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$0	\$150 M	\$0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
TCRP Non-Construction in 2005-06 and Future Year New Allocations	\$262 M	\$341 M	\$516 M	\$853 M
Resources Needed	\$797 M	\$720 M	\$856 M	\$1.136 B

State Transportation Improvement Program (STIP) Resource Need Summary

Without Transportation Investment Fund (TIF) transfers or loan repayments, there will be little if any capacity to approve STIP allocations in the 2005-06 fiscal year. All, or nearly all, cash available from the State Highway Account (SHA) will be required to cover the State Highway Operations and Protection Program (SHOPP) allocations and continuing expenditures from past STIP allocations, including continuing preconstruction work that was programmed in prior years.

To allocate \$1.564 billion in STIP projects programmed for the 2005-06 fiscal year would require about 20% of that amount, or about \$313 million, in cash in the 2005-06 fiscal year. To make this level of allocations would also require an assurance that about 50% of that amount, or \$782 million, would be available in cash in the 2006-07 fiscal year to support the allocations made in the 2005-06 fiscal year. Another \$469 million in cash would be needed in the 2007-08 fiscal year to support remaining expenditures on the 2005-06 fiscal year allocations.

Without an assurance that the needed cash would be available in the 2006-07 and 2007-08 fiscal years, then allocations in the 2005-06 fiscal year would be limited roughly to the amount of the TIF transfer and/or loan repayments in the 2005-06 fiscal year.

Resource Needs for STIP 2005-06 Allocations Programmed

	Total	2005-06	2006-07	2007-08	Beyond
STIP State Highway Projects - Construction in 2005-06	\$763 M	\$153 M	\$381 M	\$229 M	\$0
STIP State Highway Projects - Preconstruction for 2006-07 to 2008-09	\$137 M	\$27 M	\$69 M	\$41 M	\$0
STIP State Highway Projects - Preconstruction for Beyond 2008-09	\$26 M	\$5 M	\$13 M	\$8 M	\$0
STIP Local Projects - Construction	\$257 M	\$51 M	\$129 M	\$77 M	\$0
STIP Local Projects - Preconstruction	\$97 M	\$19 M	\$49 M	\$29 M	\$0
<i>Subtotal, No TCRP Match</i>	<i>\$1.280 B</i>	<i>\$256 M</i>	<i>\$640 M</i>	<i>\$384 M</i>	<i>\$0</i>
STIP State Highway Projects - Construction in 2005-06 (Match TCRP)	\$277 M	\$55 M	\$138 M	\$83 M	\$0
STIP State Highway Projects - Preconstruction for Beyond 2008-09 (Match TCRP)	\$7 M	\$1 M	\$4 M	\$2 M	\$0
<i>Subtotal, TCRP Match</i>	<i>\$284 M</i>	<i>\$57 M</i>	<i>\$142 M</i>	<i>\$85 M</i>	<i>\$0</i>
Resources Needed	1.564 B	\$313 M	\$782 M	\$469 M	\$0

Includes allocations programmed in 2004-05 that will now be carried forward to 2005-06.

Does not include resources needed to support SHOPP allocations (which come from the SHA).

Does not include resources needed to support prior STIP allocations (fundable from the SHA).

Figures for 2006-07 and 2007-08 do not include resources to support new allocations in those years.

Does not include resources to support early delivery of projects programmed after 2005-06